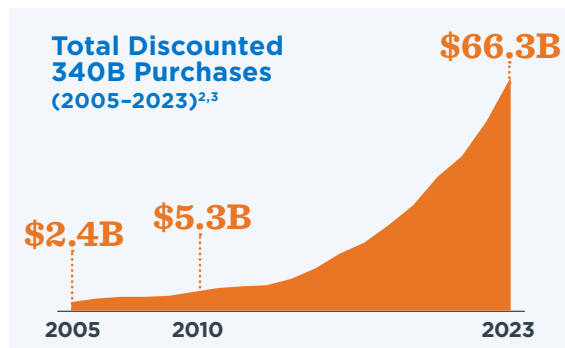


# Flawed 340B Program Raises Costs for Employers and Working Families

From a small program intended to support safety-net providers, the 340B drug pricing program has grown exponentially into a massive arbitrage opportunity for corporate healthcare systems to drive up costs systemwide without meaningfully benefiting the vulnerable communities it was intended to serve.

Corporate healthcare systems have increasingly taken advantage of this to the point that today, 340B is the second-largest federal drug program behind Medicare Part D.<sup>1</sup>



**5.4x** the average markup to oncology drugs billed to a state health plan—averaging profits of \$6,026 per claim according to the state treasurer.<sup>4</sup>

**\$5.2B** annual cost of 340B to employers in lost rebates alone.<sup>5</sup>

## STRUCTURAL FACTORS IN 340B COST EMPLOYERS BILLIONS

The 340B program allows participating hospitals to “buy low and sell high,” purchasing medicines at a steep discount while charging patients with insurance full price—resulting in profits at the expense of employers and working families and creating significant distortive effects across the market.



### Health System Consolidation:

Corporate healthcare systems can increase their 340B spread by acquiring smaller, non-340B hospitals or independent physician practices. It is well-documented that consolidation does not improve health outcomes, reduces access, and leads to higher costs of care.<sup>6</sup>



### Explosion of Pharmacy Networks:

340B hospitals can contract with networks of external retail and mail-order pharmacies. Today, hospitals work with dozens of pharmacy locations, often located in wealthy areas to maximize 340B spreads. These pharmacy arrangements are not only lining the pockets of corporate hospitals, but also of large PBMs.<sup>7</sup>



### Incentives to Prescribe Higher-Cost Drugs:

340B's structure encourages the prescribing of higher-priced medicines to maximize the spread, rather than lower-cost alternatives that might be equally effective.<sup>8</sup>

## COMPREHENSIVE 340B REFORM IS NEEDED

Given the tremendous burden that the 340B program places on working families' paychecks and employers' bottom lines, the federal government must rein in the program's unchecked expansion. Real reform would include provisions that improve transparency to ensure that bad actors are not abusing the program and refocus benefits on low-income patients while ensuring that working families and employers don't see increased health care costs.

<sup>1</sup> <https://www.drugchannels.net/2023/09/exclusive-340b-program-reached-54.html>

<sup>2</sup> <https://healthpolicy.usc.edu/research/the-340b-drug-pricing-program-background-ongoing-challenges-and-recent-developments/>

<sup>3</sup> <https://www.hrsa.gov/opa/updates/2023-340b-covered-entity-purchases>

<sup>4</sup> <https://www.nctreasurer.com/news/press-releases/2024/05/08/state-treasurer-folwell-releases-report-finding-north-carolina-340b-hospitals-overcharged-state>

<sup>5</sup> <https://www.iqvia.com/-/media/iqvia/pdfs/us/white-paper/iqvia-cost-of-340b-part-1-white-paper-2024.pdf>

<sup>6</sup> <https://www.kff.org/health-costs/issue-brief/ten-things-to-know-about-consolidation-in-health-care-provider-markets/>

<sup>7</sup> <https://avalere.com/insights/contract-pharmacy-trends-may-help-inform-340b-reform-debate>

<sup>8</sup> <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2022.00812>